

Rick,

Please see Western's comments as indicated in red below your questions. We will post a copy of this email on our external website at <http://www.wapa.gov/sn/marketing/racapacity.asp>. In addition, we will bring copies of this email to the Public Comment Forum scheduled for tomorrow at the Marriott, Rancho Cordova. Hopefully this addresses the concerns you have raised with us regarding RA Capacity.

Thanks, Jeanne

Jeanne Haas
Contracts and Energy Services Manager
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630
Phone (916) 353-4438
Fax (916) 985-1931

>>> "Rick Coleman" <rcoleman@trinitypud.com> 5/7/2007 5:09 PM >>>
Jeanne:

Well I took the time to do something I am loathed to do and that is actually read the overly complex CAISO tariff language, but only section 40. Either I am too stupid to understand it or the "got-cha" parts are not in section 40, buried in the "Business Practice Manual" or "the annual deliverability study" or definition of "Participating Generators or System units"; but I can not find anything in that tariff section that supports two points that I believe Western has made to justify its RA proposal. I say "believe" as both points have been made mostly verbal with little written record.

CAISO Control

The tariff reads to me like Western only needs to keep about a millimeter of freeboard in Keswick or Wiskeytown, and back the upstream generation down a little from maximum in order to provide a RA equal to the 15% "default" for the TPUD (given our stable load and lack of air conditioning such a reserve is huge). I am not arguing in favor of doing so but western has suggested that it will charge the TPUD for RA only because the CAISO prohibits use of CVP resources unless they control it. Can you walk me through how it is that Western believes the generator must be in the CAISO's control?

Western stated in the Federal Register notice announcing its Notice of Proposed Final Resource Adequacy Plan for Transactions in the California Independent System Operator Corporation's Balancing Authority Area (72 FR 20528) that:

"Western must follow Federal directives in its marketing and operations. The CVP hydroelectric facilities are owned by Reclamation and operated primarily to meet authorized project purposes that have a higher priority than power generation. Western's flexibility to modify generation schedules and ancillary service availability is limited by these and other related constraints."

Western further stated in the same Federal Register notice that:

"Western will not make CVP capacity available to the CAISO for scheduling in the Day-Ahead or Real-Time markets for RA purposes due to specific Federal statutes, regulations, and policies which Western must follow in its marketing and operations processes."

Under Section 40.5.3 of the MRTU Tariff, it states:

".....Scheduling Coordinators for all other Modified Reserve Sharing LSEs shall make available to the CAISO upon a warning or emergency notice of an actual or imminent System Emergency all resources that have not submitted a Self-Schedule or Economic Bid in the IFM that were listed in the Modified Reserve Sharing LSEs monthly Resource Adequacy Plan that are physically capable of operating without violation of any applicable law."

Western cannot meet the requirements of Section 40.5.3 because to do so would require an immediate change in its hydro units to respond to the CAISO. Western is not able to change its generation in real time due to the Federal statutes, regulations and policies that Western must follow in its marketing and operations processes.

In addition, as stated in Western's 2004 Power Marketing Plan, Western has an obligation to market power first to preference entities under Reclamation laws. Within broad statutory guidelines and operational constraints of the CVP, Western has discretion as to whom and under what terms it will contract for the sale of Federal power, as long as preference is accorded to statutorily defined public bodies. Given these restrictions, if Western were to set aside some portion of the CVP generating units to meet RA Capacity requirements to the CAISO, Western would be going against the Federal preference requirements provided for in the 2004 Power Marketing Plan. The generation from the CVP hydro units is to be provided first to preference entities before being marketed to any other entity.

LRA

The tariff reads to me like the TPUD's elected Board is the LRA for the TPUD. The tariff also reads to me like the TPUD Board can determine that due to our First Preference rights our RA should be zero. The tariff seems to only require that our Scheduling coordinator (Western) report that the TPUD's LRA has established a RA of zero. (obviously such a determination should cause any other LRA that is anticipating using whatever western power we don't use, to slightly increase their RA determination)

Can you explain how and why Western believes that Western is the TPUD's LRA?

Can you explain to me, regardless of if the TPUD or Western is the TPUD's LRA, why the TPUD's LRA can not, or should not, determine that a RA of zero is appropriate given the TPUD's 400% reserve margin?

Western clarifies that Western is not TPUD's LRA. Western understands that under the MRTU and IRRP Tariffs an LRA has authority over the LSE's within its jurisdiction. Western qualifies and meets the criteria to be an LSE. Western is currently the LSE for TPUD's loads which it serves on the CAISO grid. Western also is an LRA. Western, as an LRA has jurisdiction over Western as an LSE including the loads it serves for TPUD.

As set forth in Article V of the CAISO's MTRU Tariff, Section 40.1, "A Load Serving Entity, and its Scheduling Coordinator, shall be exempt from Section 40 during the compliance year, as defined in the Business Practice Manual, if the metered peak Demand of the Load Serving Entity did not exceed one (1) MW during the twelve months preceding the compliance year. Section 40 shall apply to all other Load Serving Entities and their respective Scheduling Coordinators."

As a result, to the extent Western is the LSE for TPUD's load, Western as an LRA regulates Western as an LSE. Western understands that if TPUD chooses, TPUD may establish its own LSE and its own LRA. However, Western is unable to take directions from a state or local LRA. As a federal agency, Western takes directions as provided under federal laws, regulation and policies. As a result, if TPUD establishes its own LRA, Western cannot act as TPUD's LSE.

As for your question as to why "regardless of if the TPUD or Western is the TPUD's LRA, TPUD's LRA can not, or should not, determine that a RA of zero is appropriate given the TPUD's 400% reserve margin?",

I refer you to our response as to why Western is not using the CVP hydro units to meet RA Capacity requirements. Specifically there are specific Federal statutes, regulations, and policies which Western must follow in its marketing and operations processes.

On a related note I am concern about the short time frame between the start of this process and comments due, particularly since a lot of details seem to be missing. Your rapid response would be most appreciated.

-----Original Message-----

From: Jeanne Haas [<mailto:HAAS@wapa.gov>]

Sent: Thursday, May 03, 2007 2:23 PM

To: John Goodin; Keoni Almeida; Lowell Watros; Ron Davis; P G Scheuerman; Nannette Engelbrite; Edward Roman; Paul Scanlan; Rick Coleman

Cc: Debbie Dietz; Hiroshi Kashiwagi; Koji Kawamura

Subject: Information requested at yesterday's Public Information Forum

As requested by an attendee at yesterday's Public Information Forum for Western's proposed Final Resource Adequacy Plan, we have posted unto our external website at the following address:

<http://www.wapa.gov/sn/marketing/racapacity.asp> the following information:

Section 40 of the California Independent System Operator's pre MRTU Tariff, which deals with Resource Adequacy requirements

Section 40 of the California Independent System Operator's proposed MRTU Tariff, which deals with Resource Adequacy requirements

Certain definitions (as defined by the CAISO) that were requested at the Public Information Forum:

Load Serving Entity (LSE)

End-Use Customer or End-User

Local Regulatory Authority (LRA)

Resource Adequacy Capacity or RA Capacity

Resource Adequacy Resource

Qualifying Capacity

You can access each of these PDF files from the above website.

Thanks, Jeanne